

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4387-01  
Bill No.: SB 1278  
Subject: Licenses - Professional; Fairs; Economic Development Dept; Business and Commerce  
Type: Original  
Date: March 8, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Amusement Machine Operator License Fund	\$0	\$131,877	(\$56,399)
PR Fees Fund	\$0	\$0*	\$0*
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$131,877</b>	<b>(\$56,399)</b>

**\* Offsetting Income and Expenses to PR Fund related to Amusement Machine Operator Licensing would net to zero**

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of State Treasurer, Department of Public Safety - Missouri Gaming Commission**, and the **Department of Revenue** indicated this proposed legislation would have no fiscal impact on their respective agencies.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate that this proposal will not significantly alter its caseload. However, if other similar bills also pass, there would be fiscal impact. If there are more cases, or more complex cases, there could be a fiscal impact.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 18 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$738, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended,

ASSUMPTION (continued)

rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Lottery Commission (LOT)** state that the amusement machines will compete with the Lottery pulltab product. LOT assumes that 50% of Lottery-licensed pull tab retailer locations (650) would lose 50% of lottery sales annually (\$6,825,000), which at a 20% profit loss equals \$1,365,000 less for education funding.

**Oversight** assumes this proposal refers to amusement games which depend, at least in part, upon the skill of the player, regardless of whether an award is given to a successful player. Also, this proposal does not allow a player to win more in prizes than what the player has spent in dollars. Therefore, **Oversight** also assumes this proposal deals with devices that will not be in direct competition with lottery sales, and assume that there will be minimal impact to the Missouri Lottery Commission.

Officials from the **Department of Economic Development (DED) - Professional Registration (DPR)** state this legislation requires their division to issue amusement machine operator licenses to any person who is engaged in the business to own, buy, sell, rent, lease, trade or furnish to another amusement machines. The DPR estimates that there will be approximately 514 applicants for licensure under this provision.

The projected revenue reflects a \$1,000 biennial license fee which has been established as the maximum in the proposed legislation (400 amusement machine operators = \$400,000). Additional revenue has been projected at a rate of \$100 per month which has been established as the maximum amount in the legislative proposal, for 114 carnival operators for each two year period. DPR assumes that a carnival operator will operate for at least 3 months per year (June, July, August) for biennial revenue of \$68,400. DPR projects a 3% annual growth in licensees for subsequent years.

It is assumed all expenses will be paid from the Amusement Machine Operator License Fund and all revenue collected will be deposited into the Amusement Machine Operator License Fund.

ASSUMPTION (continued)

The Amusement Machine Operator License Fund would reimburse the PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 1.5 FTE to carry out duties generated by this proposal. The additional employees would include a Principal Assistant (.5 FTE at \$26,742/year) to serve as senior executive of the licensing agency, a .5 Licensure Technician II (.5 FTE at \$12,546/ year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as respond to any inquiries relating to the licensure law or rules and regulations, and a .5 Investigator II (.5 FTE at \$19,044/year) to assist in the Central Investigative Unit in conducting investigations and inspections.

It is assumed that the division will inspect the premises, books and records of each person applying for an amusement machine operator license. Thereafter, inspections/investigations will only be conducted upon receipt of an application or written complaint. It is assumed the bulk of inspections would occur in FY 2006 once an appropriation and rules have been secured. For each year thereafter, a 3% growth rate has been estimated for initial inspections. It is estimated that an average inspection takes 8 - 16 hours to complete. DPR assumes that half the inspections would require 1 night's lodging. Travel expenses for the inspections for FY 2006 have been estimated at \$42,405. Travel expenses for initial inspections in subsequent years would be approximately \$2,475 annually.

DPR officials assume it would be reasonable to assume there would be 6 complaints filed each year that will require investigation. It is estimated that an average complaint would require 5 hours to complete. It is assumed the investigation of complaints would not start until FY 2007. DPR further estimates that 15% of the complaints filed would require field investigations that would require approximately 30 hours of field work. Travel expenses for the field investigations have been estimated at \$255.

DPR assume printing and postage costs of \$3,213 for the first year to include printing and postage for statute and rule mailings and for first year startup printing of rules, applications, letterhead and envelopes. This amount has also been estimated for subsequent years.

DPR assumes the Office of the Attorney General (AGO) would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. Also, it is estimated that 25% of the investigations (1 case) would be forwarded to the AGO for further action. It is assumed there would not be any cases until FY 06. Based on a cost of \$5,400 per case, the annual cost would be \$5,400.

ASSUMPTION (continued)

DPR assumes expenses necessary to administer this program, including personal service, fringe benefits, expense and equipment, and other expenses will total (\$16,457) in FY 2005, (\$219,551) in FY 2006, and (\$121,892) in FY 2006.

In calculating fees, DPR calculated the maximum fee allowed per the proposal (\$1,000 biennial) for amusement machine operators. DPR also estimated the biennial fees for carnival operators at \$68,400 by projecting \$100 a month for three months a year for 114 carnival operators.

For fiscal note purposes only, **Oversight** assumes the following:

- 1) Revenue and expenses for this program will not begin until FY 06 because this proposal shall not become effective until expenditures or personnel are specifically appropriated for the purpose of conducting this program and the initial rules filed have become effective.
- 2) This program can be administered with 1 FTE (.5 FTE Licensure Technician and .5 FTE Investigator) and salaries, benefits, and expenses have been adjusted accordingly. **Oversight** has adjusted the starting salaries for these part time positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.
- 3) Additional rental space would not be required and no additional furniture should be required since the FTE are part-time positions.
- 4) Oversight also has not reflected DPR's estimates of this program's allocation of indirect expenses of department and division administration, as well as system maintenance. Division administrative costs of \$12,633 will generally offset the required reimbursement of other funds, and will not be used for the new FTE.
- 5) Printing and postage costs for FY 07 have been adjusted to \$150 to account for the "off-year" in biennial licensure.
- 6) **Oversight** has adjusted fees for carnival operators and amusement machine operators to an amount necessary to cover costs of the program. Biennial fees for amusement machine operators are estimated at \$500 (\$200,000 biennially) and fees for carnival operators are \$50/month for three months a year (\$17,000 a year or \$34,000 biennially).

Officials from the **Office of the Attorney General (AGO)** indicated they would need one

ASSUMPTION (continued)

Assistant Attorney General I to handle the cost of representing the Department of Economic )  
 Development - Professional Registration in any licensing matters or appeals that arise as a result  
 of this legislation. **Oversight** assumes the AGO will be reimbursed for services from the  
 Amusement Machine Operators Fund.

**This proposal will increase total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>AMUSEMENT MACHINE OPERATOR LICENSE FUND</b>			
<u>Income</u> - Division of Professional Reg. Licensure Fees/Renewals		\$234,000	\$7,020
<u>Costs</u> - DPR Transfer to PR Fees Fund		<u>(\$102,123)</u>	<u>(\$63,419)</u>
<b>ESTIMATED NET EFFECT TO AMUSEMENT MACHINE OPERATOR LICENSE FUND</b>		<b><u>\$131,877</u></b>	<b><u>(\$56,399)</u></b>
<b>PR FEES FUND</b>			
<u>Income</u> - DPR Transfer from Amusement Machine Operator Licence Fund	\$0	\$102,123	\$63,419
<u>Costs</u> - DPR Personal Service (1.0 FTE) Fringe Benefits Expense and Equipment AGO Costs	\$0 \$0 \$0 <u>\$0</u>	(\$35,220) (\$14,581) (\$48,670) <u>(\$3,652)</u>	(\$36,101) (\$14,946) (\$3,320) <u>(\$9,052)</u>
Total <u>Costs</u> - DPR	<u>\$0</u>	<u>(\$102,123)</u>	<u>(\$63,419)</u>
<b>ESTIMATED NET EFFECT TO PR FEES FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Local Government

FY 2005  
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Amusement machine operators and carnival operators would expect direct fiscal impact as a result of this proposal.

DESCRIPTION

This proposal provides for the licensing of amusement machine operators. The Director of the Division of Professional Registration within the Department of Economic Development shall oversee the licensing of amusement machine operators. The two year fee for licensure shall not exceed \$1,000. The fee for a license to operate amusement machines only at a state or local fairs shall be \$100 for each month in which the machines are operated. In order to obtain a license, an applicant must be at least 21 years of age, a resident of this state for at least one year, except for persons operating machines at carnivals or fairs, and must have a Missouri sales tax number. Any person operating a machine without a license shall be assessed a penalty of up to \$100 for each machine in the person's possession.

The Director is authorized to seek disciplinary action, including the assessment of monetary penalties against licensees. All collected fees shall be deposited into the "Amusement Machine Operator License Fund" which is created by this proposal. This proposal shall not become effective until expenditures and personnel are specifically appropriated for this purpose and initial administrative rules have become effective.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
    Division of Professional Registration  
Department of Revenue  
    Division of Taxation and Collection  
    State Lottery Commission  
Department of Public Safety  
    Missouri Gaming Commission  
Office of Secretary of State  
    Administrative Rules Division  
Office of Administration  
    Administrative Hearing Commission  
Office of State Treasurer  
Office of Attorney General

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA  
Director  
March 8, 2004